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CENTRAL INTELLIGENCE AGENCY

REPORT

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SUBJECT

Revision of the Economic Plan of the DDR

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- The State secretariat was currently examining all 1952 finance plans with a ds. As a result of this examination, y the State Planning Commission had 1952 had been calculated on the basis of wages actually paid in the previous year and on the planned 1952 increase in output and productivity. Such disturbing factors as overtime payments had not, however, been taken into account. The plans had, therefore, to be re-examined. It had also been discovered that the provision made in the basic plan figures for the reduction of overhead costs by the banks, insurance companies, and savings-banks did not deal with overhead costs proper, but only with administrative costs. This matter required further discussion with a view to releasing more funds for other purposes.
- After comparing the various financial estimates under the Five Year Plan, it had 3. been found that the total planned national income would be insufficient to cover the planned national expenditure. The planned wages were due to rise steeply during the five year period, but the price-curve, in spite of anticipated price eductions, would rise slightly above the wage-curve so that the people would be mable to purchase the goods and services which would be made available

idered to be too favorable (sic). With consideration to the development of the peoples-owned Handelsorganisation, (HO), peoples-owned industry, and peoples-owned transport, the plan had been worked out on the basis of constant incomes to be received by the owners of private restaurants, trading, and transport concerns. The plan had, however, been returned with the remark that the Government had agreed to the expansion of private initiative.* This principle must be adhered to in the Five Year Plan for two reasons:

This would enable the HO to reduce its overhead costs. available to them.

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This policy was considered less expensive than increasing the ${\rm HO}^{\circ}s$ can trading machinery.

. The political situation demanded greater levelty to the regime. Within the framework of the struggle for German unity, the HO policy must be changed, and the policy prevailing hitherto must be repudiated. Some of the businesses taken over by the HO on lease or under trusteeship would be returned to private ownership in order to demonstrate a policy of appeasement towards the West and to repudiate the radical policy. The false (radical) policy had been inspired by traitorous elements within the directing body of the HO.

Comment: It is believed that it was Wilke's office which suggested
that the 34% increase in the income of private industry was too favorable, and
either the Ministry of Finance or the State Planning Commission (probably the
former) which replied that the Government had éndorsed the expansion of private
enterprise.

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